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30 JAN 1948

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\*ARMY Declass/Release Instructions On File\*

Auth: DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763

GENERAL

Date: 10 Nov 79 By:  

1. Tripartite talks on German problems planned--The Department of State has informed Ambassador Murphy in Berlin that the US has accepted a suggestion of the British Foreign Office that US-UK talks on long-range German problems begin in London on 16 February and that tripartite talks with the French be opened on 19 February. The French have been informed of the preliminary US-UK discussions.

#### EUROPE

2. FRANCE: Appraisal of Government's economic program--Governor Monick of the Bank of France has submitted to US Ambassador Caffery the following appraisal of the French Government's economic program: (a) price and distribution controls have been tried in France for some years and have proved unsuited to the needs and temperament of the French people; (b) the Government's program for national recovery will have to be adopted in its entirety in order to prove effective; and (c) the Government is convinced that effective economic stabilization will require several months and will depend both upon the successful implementation of the European recovery program and an improvement in the food situation during the summer months.
3. AUSTRIA: Soviet treaty proposals--US Legation Vienna is inclined to interpret the recent Soviet treaty proposals more as evidence that the USSR has fundamentally altered its policy on the Austrian treaty than as indications that the USSR wishes

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State Dept. review completed

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to prolong negotiations and shift the onus for failure to reach a settlement to the US. The Legation adds that the USSR has partially recovered the tactical advantage, because even if agreement is reached on current proposals, such issues as the Yugoslav border, demilitarization, and denazification could still block the treaty. The Legation reports that all Austrian political leaders believe that the Soviet offer should be taken seriously and the maximum effort made for reasonable settlement.

(CIA Comment: CIA believes that the fundamental policy of the USSR in Austria remains unchanged. Although the USSR may be prepared to reach a final settlement on the main economic issues involved in the Austrian treaty, it is probable that Soviet leaders will prolong negotiations in order to extract further concessions from the western allies on the remaining treaty issues and from the Austrian Government on other outstanding Soviet claims.)

4. GREECE: AMAG recommends immediate enlargement of Army -- AMAG Chief Griswold reports from Athens his concurrence with US General Livesay's recommendations that the authorized strength of the Greek National Army be raised immediately to 150,000 and that an additional \$25 million be added to the US military aid budget for the current fiscal year. Griswold considers that: (a) speedy action is essential in view of the Army offensive scheduled for mid-April; and (b) unless the guerrilla groupings are "definitely broken" in the next six months, deteriorating political and economic conditions are likely to jeopardize the US objectives. (The recommended 150,000 ceiling for the Army would permit an increase of 10,000 over temporary authorized strength and an increase of 30,000 over permanent authorized strength.)

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NEAR EAST-AFRICA

5. IRAN: Agitation for recovery of Bahrein increases--US  
Ambassador Allen in Tehran reports that high Iranian  
Army officials have indicated that the Iranians are making  
plans to occupy the island of Bahrein and that a bill authoriz-  
ing such an expedition is to be rushed through Parliament.  
Allen comments that the Iranians "have completely lost  
their heads over Bahrein."
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6. INDIA: US to be given secret pledge of support against USSR ---  
According to US Charge Donovan in New Delhi, the Indian  
representative to the UN has been instructed to reassure the  
US that in the event of armed conflict between the US and  
the USSR, India would necessarily side with the country which  
espoused the "ideals of freedom and democracy for which  
India stands." Donovan's informant, a leading Indian official  
commented that India has avoided open support of the US only  
because no good would be accomplished thereby. The official  
added that his statement was not being transmitted to the US  
by the Indian Ambassador because of "lack of confidence" in  
him.

(CIA Comment: This expression of India's attitude is  
undoubtedly a bid for US support in the Kashmir dispute.  
CIA considers that Prime Minister Nehru's recent declara-  
tion--that in any future conflict India would align itself with  
the side on which its interests then lay--is more representa-  
tive of India's policy.)

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